

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Number: **201717047**  
Release Date: 4/28/2017

**Employer Identification Number:**

**Contact person - ID number:**

**Date: February 2, 2017**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

t dollars = Amount  
u dollars = Amount  
v dollars = Amount  
w dollars = Amount

Dear :

You asked for advance approval of your educational grant procedures under Internal Revenue Code section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

**Our determination**

We approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of Code section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

**Description of your request**

Your letter indicates that you will operate a fellowship program.

You indicate that the purpose of the program is to provide a fellowship grant to an individual to provide support for a master musical instrument builder to take on and teach an apprentice during the fellowship period. The program is designed to pass the knowledge, skills and expertise of master craftsmen and women on to the next generation of instrument builders thereby furthering the artistic, musical and professional capacities of the apprentice while promoting the arts.

Your program will offer (a) an annual stipend to a master builder intended to compensate the builder for his or her lost revenues resulting from the time dedicated to teaching the apprentice and (b) an annual stipend to the apprentice to cover reasonable costs of living (e.g. transportation, food, shelter, incidentals) during the apprenticeship period.

You intend to provide your first fellowship grants to support apprenticeships in the craft of making custom string instruments called lutherie. You may expand your program to apprenticeships in the making of other types of instruments.

Applicants for this program must be individuals who (1) have experience in musical instrument design, repair or production, (2) have demonstrated a high degree of aptitude, and (3) appear to have the drive, intelligence and talent to take the next step toward being a master builder. You will identify master makers of custom instruments and, with the help of such masters, identify the best possible candidates for apprenticeships.

You will use reasonable efforts to identify accomplished individuals that are appropriate for the apprenticeship program and will approach those individuals and ask them to submit proposals for the program. Public announcements and information about the program will also be made and maintained on your website. Formal grant agreements will be entered by you with each apprentice to detail the parties' responsibilities and obligations. You do not anticipate utilizing an application form, but will instead invite appropriate members of the public, with the special talents needed to the program, to apply.

Apprentices will be chosen by a Selection Committee, which includes your Trustees, with the advice and input of the master builders identified to teach the apprentices. The Selection Committee will select those masters and apprentices that best complement your principal objective, which is to preserve and advance the art of building and designing custom musical instruments through an apprenticeship program designed to pass the knowledge, skills and expertise of master builders onto the next generation of instrument builders and to otherwise promote music and the arts.

Apprentices will be chosen in a nondiscriminatory manner. The selection committee will consider (i) the potential benefit of the proposed apprenticeship to the apprentice and to society through the positive impacts it might have on music and the arts, (ii) the capacity of the applicant to accomplish the apprenticeship, (iii) the likely ability for the master and the apprentice to work well together, and (iv) any other factors indicating the apprenticeship will accomplish your exempt purposes. You will not discriminate in the selection of any apprentice based on race, color, creed, religion, nationality, ethnic origin, age, disability, sex, marital status, sexual orientation, any other characteristic protected by law, or any other factor irrelevant to the ability to conduct the project to be pursued.

You will not award educational loans.

When an apprentice is selected for the program, he or she will receive a periodic stipend during the period of apprenticeship to cover expenses. In addition, the master will also be compensated for teaching the apprentice. The fellowship grants will range between v dollars and w dollars which t dollars will be paid to the luthier (master) and u dollars will be paid for the apprentice's expenses during the year. However, the fellowship grants

awarded need not be equal depending upon the Selection Committee's discretion. You will not have a set number of grants that will be made annually and the number of fellowship grants you award will depend in large part on the number of compelling masters and apprentices that you identify. Presently, you anticipate one to two fellowships at a time, but the number may vary based on the quality of opportunities identified.

During the apprenticeship, the master and apprentice will be asked to provide oral (and potentially written) reports, which will describe the use of the funds and the progress made by the apprentice. Such reports will be required periodically, and in no event less than twice per year. Upon completion of the project, the master and apprentice will be asked to provide a final report, describing the apprentice's accomplishments with respect to the grant and accounting for the funds received under the grant. In addition, during the apprenticeship period, you may monitor and conduct an evaluation of operations under the grant. This may include visits by your representatives to observe the apprentice's work and to discuss the project with the master and his/her apprentice. Finally, the apprentice will be required to agree to promptly repay any portion of the grant which for any reason is not used exclusively for the purposes of the grant or within the time period approved for the apprenticeship.

#### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:
  - A scholarship or fellowship subject to section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
  - A prize or award subject to the provisions of section 74(b), if the recipient of the prize or award is selected from the general public; or
  - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.

- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

**Other conditions that apply to this determination**

- This determination covers only the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot make grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper  
Director, Exempt Organizations  
Rulings and Agreements